

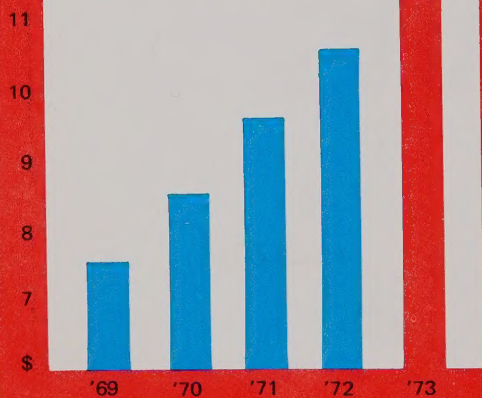
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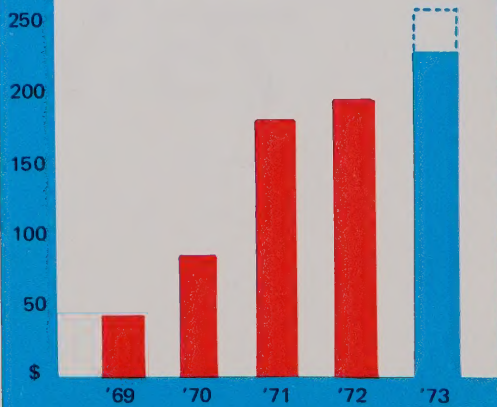
**75 YEARS**

**1973 Annual Report**

## SALES MILLIONS



## PROFITS THOUSANDS



# ROYAL OAK DAIRY, LIMITED

## ANNUAL REPORT

### FINANCIAL HIGHLIGHTS

	1973	1972	1971	1970	1969
Sales	11,148,336	10,401,596	9,439,000	8,334,000	7,441,000
Net Profit from operations	221,368	190,255	173,000	79,000	38,000
Earnings from operations per share					
Class A	6.58	5.07	4.62	2.11	1.01
	(7.47 after extraordinary item)				
Class B & Common (1)	.62	.56	.50	.19	.05
	(.72 after extraordinary item)				
Equity per outstanding Share	2.89	2.57	2.30	2.08	1.90
Working Capital (2)	764,000	754,000	554,000	497,000	192,000

(1) Undiluted Earnings have been adjusted for changes in Share structure (refer note 6)

(2) Securities taken at market value at December 31.



# ROYAL OAK DAIRY, LIMITED

## DIRECTORS' REPORT

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### TO THE SHAREHOLDERS

Your Company had a satisfactory year in 1973. Profits from operations rose from \$190,255 in 1972 to \$221,368. We sold some property for plaza development and this non-recurring capital gain carried us to a final figure of \$251,551. This year's quarter million dollar profit is more than six times that of 1969. The earnings covering the 80c A Share dividend are \$7.47 compared to \$5.07, \$4.62, \$2.11 and \$1.01 in the past four years. Profitability per share from operations alone, fully diluted on the new Class B and Common Shares, is 0.43c, 11c higher than in 1972.

### Dairy Division

1973 was an excellent year for the Dairy. Dollar sales increased 7.5% over 1972; despite inflation, overall operating expenses were reduced relative to sales and our profitability rose. The sales figure reflects two consumer price increases and a decrease of about 1c per quart October 15 due to the federal subsidy program. While volume declined midway through the year when we lost part of our chain store volume due to competitive pricing, aggressive selling to both new and existing accounts has since offset much of this. During the summer months, when milk consumption normally declines, we tripled our sales of ten ounce dairy drinks; sales of our own orange juice were more than doubled. These enabled us to keep the plant running at full capacity.

### Bantam Stores Division

Bantam Stores management increased sales 8%, improved profit margin and also reduced administrative expenses. Profit from the division increased dramatically. We have 42 stores and of these three are new replacements for weaker units and a fourth at York Road and Highway 102 in Dundas, is in larger quarters in the new plaza. Two of the new stores are Shell gas stations in which the station building has been converted to a Bantam Store and a cash kiosk added to the gas pumps. By "cross merchandising" with these gas bars, we draw customers to both the pumps and the Bantam Store. This is a concept which we believe has potential. A Third is under construction. We are in active negotiations on an unusually high number of locations; although not all may be available in 1974, past experience would suggest we should get about eight new stores. Sales per store in January and February show the highest increase we have ever generated, far above the inflationary price trend. The outlook for 1974 is thus excellent. The Shareholders approved changes in the capital structure of the Company and this report is in terms of the new share structure. The Class A Share now carries a dividend of 80c; it is convertible into 6 new Class B Shares. The other issued shares were each divided and changed into 5 Class B Shares and one Common Share. The Directors have recently increased the Class B and

# ROYAL OAK DAIRY, LIMITED

Common share dividends from 8.3c to 12.5c per year, payable quarterly; the dividend from six of these is 75c a year, an increase of 50%.

Overall, the outlook for 1974 is excellent. Our management remains strong and our merchandising is effective in both dairy and stores. Bantam, already contributing more than half our total sales, is expected to continue to build momentum. The only change in pattern will be the costs of acquiring and opening new stores which is quickly offset by their added sales. In the dairy operations, we are now considering several interesting options to increase volume; higher sales seem well assured. The Company does, however, face a higher effective tax rate in 1974 because we have outgrown small business "tax shelters"; the extra cost should be less than five percent of taxable earnings.

Thus in our planning for 1974 we find sound reasons for optimism, tempered somewhat by concerns common to all industries. Indications are the 1974 sales volume should increase substantially. We believe we can improve upon the operating profit of 1973, our seventy-fifth year. We look forward to a successful 1974.

On behalf of the Board of Directors

April 1, 1974  
Hamilton, Ontario.

D. R. Hamilton,  
President.

## DIRECTORS

R. W. Greenwood, Burlington  
F. W. Hamilton, Ancaster  
D. R. Hamilton, Burlington  
W. G. Lumsden, Burlington

D. A. C. Martin, Q.C., Hamilton  
J. W. A. Darby, Stoney Creek  
N. R. McLeod, Winona  
W. P. Pigott, Ancaster

## OFFICERS

Chairman of the Board of Directors .....	F. W. Hamilton
President .....	D. R. Hamilton
Managing Director & Secretary .....	N. R. McLeod
Vice-President—Operations and Assistant Secretary .....	J. W. A. Darby
Treasurer .....	R. W. Greenwood

Bankers ..... Bank of Montreal  
Transfer Agent and Registrar ..... The Royal Trust Company  
Plant and Offices ..... Head Office—225 East Ave. N., Hamilton, Ontario.

# ROYAL OAK D.

## CONSOLIDATED

DECEMBER

### ASSETS

1973

1972

#### CURRENT

Cash	158,357	\$ 201,607
Bank time deposits	300,000	100,000
Accounts receivable -		
Trade	316,063	277,983
Affiliated company	26,091	18,524
Other	16,647	
Marketable securities - at cost		
(market value - 1973 - \$ 481,280;		
1972 - \$ 515,014)	291,568	283,733
Inventories - at the lower of cost		
or net realizable value -		
Product	482,588	454,209
Supplies	61,114	55,879
Prepaid expenses	46,522	42,268
Estimated overpayment of		
income taxes	7,073	5,920

1,706,023

1,440,123

#### ADVANCES TO AFFILIATED COMPANY

30,000

30,000

#### FIXED (note 5)

Land, buildings, plant and equipment	2,641,813	2,504,939
Accumulated depreciation	1,427,341	1,316,494

1,214,472

1,188,445

#### GOODWILL

35,501

\$2,950,495

\$2,694,069

APPROVED ON BEHALF OF THE BOARD

J. W. A. Darby, Director  
W. P. Pigott, Director



# IRY, LIMITED

## ALANCE SHEET

31, 1973

### LIABILITIES

	1973	1972
<b>CURRENT</b>		
Accounts payable and accrued liabilities	1,090,741	875,119
Managers' deposits	41,355	42,033
	<u>1,132,096</u>	<u>917,152</u>
<b>DEFERRED TAX CREDIT</b>	69,270	45,045
<b>LONG-TERM</b>		
Mortgages payable (note 2)	131,449	150,751
Bank loans and advances (note 3)	100,000	230,000
	<u>\$ 231,449</u>	<u>\$ 380,751</u>

### SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b> (note 6)		
Authorized - (after conversions)		
33,625 class "A" shares of no par value, cumulative, preferred dividends of 80c per share, convertible to class "B" at the rate of 6 class "B" for each class "A"		
700,000 class "B" participating shares of no par value, not to be issued for consideration greater than \$1,000,000		
87,500 common shares of no par value, not to be issued for consideration greater than \$400,000		
Issued and fully paid -		
33,625 class "A" shares		
269,375 class "B" shares and		
53,875 common shares	125,000	125,000
<b>RETAINED EARNINGS</b>	1,148,263	981,704
<b>EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER DEPRECIATED COST</b>	<u>244,417</u>	<u>244,417</u>
	<u>1,517,680</u>	<u>1,351,121</u>
	<b>\$2,950,495</b>	<b>\$2,694,069</b>

# ROYAL OAK DAIRY, LIMITED

## Consolidated Statement of Income

	1973	1972
<b>SALES</b>		
<b>COST OF SALES</b> , including selling general and administrative expenses	<b>\$11,148,336</b>	<b>\$10,401,596</b>
	<u>10,620,016</u>	<u>9,964,684</u>
	528,320	436,912
 <b>PROVISION FOR DEPRECIATION</b>	 145,597	 121,555
<b>INTEREST ON LONG-TERM DEBT</b>	<u>22,683</u>	<u>13,795</u>
	168,280	135,350
 <b>NET EARNINGS FROM OPERATIONS</b> before income taxes	 360,040	 301,562
<b>INCOME TAXES</b>	<u>156,664</u>	<u>128,700</u>
 <b>NET EARNINGS FROM OPERATIONS</b>	 203,376	 172,862
 <b>INCOME FROM MARKETABLE SECURITIES</b>	 <u>17,992</u>	 <u>17,393</u>
	221,368	190,255
 <b>EXTRAORDINARY ITEM</b> Gain on sale of fixed assets	 30,183	
 <b>NET EARNINGS FOR THE YEAR</b>	 \$ 251,551	 \$ 190,255
 <b>NET EARNINGS PER PARTICIPATING SHARES</b> (note 7)		
Before extraordinary item		
Basic	\$ .62	\$ .56
Fully diluted	.43	.32
 After extraordinary item		
Basic	\$ .72	\$ .56
Fully diluted	.49	.32



# ROYAL OAK DAIRY, LIMITED

## Consolidated Statement of Source and Application of Funds

	1973	1972
<b>SOURCE</b>		
Operations -		
Net earnings for the year	\$ 251,551	\$ 190,255
Gain on disposal of fixed assets	30,183	
	<u>221,368</u>	<u>190,255</u>
Depreciation and amortization	145,597	121,555
Increase in deferred income taxes	24,225	15,033
	<u>391,190</u>	<u>326,843</u>
Proceeds from loans and mortgages		67,406
Increase in bank loan		30,000
Proceeds on disposal of fixed assets	78,575	1,798
	<u>469,765</u>	<u>426,047</u>
<b>APPLICATION</b>		
Additions to fixed assets	220,016	233,133
Mortgage payments	19,302	7,936
Dividends paid	49,491	47,500
Reduction of bank loan	130,000	
Loss on sale of marketable securities		315
Advances to affiliated company		20,000
	<u>418,809</u>	<u>308,884</u>
 INCREASE IN WORKING CAPITAL	 50,956	 117,163
WORKING CAPITAL - BEGINNING OF YEAR	522,971	405,808
 WORKING CAPITAL - END OF YEAR	 \$ 573,927	 \$ 522,971

# ROYAL OAK DAIRY, LIMITED

## Consolidated Statement of Retained Earnings

	1973	1972
BALANCE - BEGINNING OF YEAR	\$ 981,704	\$ 839,265
Net earnings for the year	251,551	190,255
	1,233,255	1,029,520
Dividends	49,491	47,500
Loss on sale of marketable securities		316
Write-off of goodwill	35,501	
	84,992	47,816
BALANCE - END OF YEAR	\$ 1,148,263	\$ 981,704

## AUDITORS' REPORT

To the Shareholders of  
Royal Oak Dairy, Limited,  
Hamilton, Ontario.

We have examined the consolidated balance sheet of Royal Oak Dairy, Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings and retained earnings and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MacGILLIVRAY & CO.

CHARTERED ACCOUNTANTS.

February 18, 1974.

# ROYAL OAK DAIRY, LIMITED

## Notes to Consolidated Financial Statements

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### 1. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The total direct remuneration paid to directors and senior officers of the company amounted to \$115,583 in 1973 and \$113,970 in 1972.

### 2. MORTGAGES PAYABLE

The company is liable for various mortgages with the major portion against retail store locations. Interest rates on these mortgages range from 7% to 10% and the latest maturity date is within the year 1977.

### 3. BANK LOAN

The long-term bank loan of \$100,000 is due December 1975. Marketable securities are pledged with the bank as security for the loan.

### 4. LEASE COMMITMENTS

The minimum annual rentals under leases for retail store locations amount to \$170,000. None of the leases extend for a period of more than ten years from the balance sheet date.

### 5. FIXED ASSETS AND ACCUMULATED DEPRECIATION

The fixed assets of the company were appraised at December 31, 1948 by Dominion Appraisal Company Limited. All subsequent additions have been recorded at cost. Accumulated depreciation was determined by the above appraisal with subsequent provision based on original cost of the assets.

### 6. CAPITAL

On May 9, 1973 the shareholders approved a resolution reorganizing the capital structure of the company. Articles of Amendment dated May 11, 1973 were obtained to:

- (a) subdivide and change the 87,500 class "B" shares into 87,500 common shares without par value and 437,500 non-voting, participating, class "B" shares without par value on the basis of 1 common share and 5 class "B" shares for each original class "B" share;
- (b) increase the authorized capital of the company by the creation of an additional 262,500 class "B" shares; and
- (c) provide that the class "A" shares are convertible into class "B" shares at the rate of 6 class "B" shares for each class "A" share and are entitled to cumulative preferential dividends at the rate of \$0.80 per annum.

Prior to the reorganization, 3,875 class "A" shares were converted into original class "B" shares.

### 7. EARNINGS PER SHARE

1973 basic earnings per share have been calculated using a weighted average of outstanding participating stock during 1973. Fully diluted earnings per share assumes the conversion of all outstanding class "A" shares to class "B". 1972 earnings per share have been restated to reflect the reorganization of the capital structure of the company as of May 11, 1973.

### 8. GUARANTEES

Royal Oak Dairy, Limited has acted as co-guarantor for certain contractual obligations of an affiliated company. The total contingent liability under these agreements amounts to \$89,020.

### 9. COMPANIES CONSOLIDATED

These financial statements include the accounts of the parent company, Royal Oak Dairy, Limited and its wholly-owned subsidiaries, Bantam Stores Limited and Riverview Dairy Limited.

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# ROYAL OAK DAIRY LIMITED

## INTERIM REPORT

JUNE 30, 1973

### TO THE SHAREHOLDERS:

Unaudited consolidated net earnings for the six months ended June 30, 1973 are \$98,429 compared to \$65,329 for the same period last year. Bantam Stores profits, while still a low percentage of the sales dollars, are better than last year. We hope to maintain this increase.

First half profits from dairy operations are much higher than last year but are not expected to show the same increase during the last six months of the year, since four supermarkets were lost to competition on May 15th.

The 10 oz. fruit drink line has been making a good contribution to volume in the hot months when milk sales are lower and three new Bantam Stores are expected to open before the year end. Two of these will be combined with gas bars.

On behalf of the Board of Directors.

D. R. HAMILTON,  
President.

August 20, 1973,  
Hamilton, Ontario.

### CONSOLIDATED STATEMENT OF EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 1973 (Unaudited)

	1973	1972
Sales .....	\$5,401,568	\$5,150,408
Cost of Sales .....	3,819,138	3,680,348
Gross Profit on Sales .....	1,582,430	1,470,060
Selling, General, and Administrative Expenses .....	1,415,300	1,355,585
Net Earnings Before Taxes on Income .....	167,130	114,475
Provisions for Taxes on Income .....	68,701	49,146
NET EARNINGS .....	\$ 98,429	\$ 65,329
NET EARNINGS PER SHARE: (NOTE 1)		
Class A Shares .....	\$ 2.93	\$ 1.74
Class B and Common Shares .....	.27	.18
Fully Diluted .....	.19	.12

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

#### SOURCE OF FUNDS

Funds from Current Operations .....	\$ 170,003	\$ 127,027
Proceeds from Mortgages .....	—	37,500
Sale of Fixed Assets .....	9,556	2,321
Profit on Sale of Securities .....	89	—
	\$ 179,648	166,848

#### APPLICATION OF FUNDS

Reduction in Bank Loan .....	\$ 50,000	\$ 20,000
Dividend Payments .....	36,209	36,250
Purchase of Fixed Assets .....	132,220	136,130
Increase in loan to affiliate .....	—	15,000
Mortgage payments .....	3,928	3,818
	\$ 222,357	\$ 211,198

DECREASE IN WORKING CAPITAL .....	\$ 42,709	\$ 44,350
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#### NOTES TO FINANCIAL STATEMENT

1. 1972 earnings per share have been adjusted for the reorganization of the capital structure of the Company as of May 11, 1973.



